

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 57974

**PEND OREILLE COUNTY PUBLIC HOSPITAL
DISTRICT NO. 1
DBA NEWPORT COMMUNITY HOSPITAL**

Pend Oreille County, Washington

January 1, 1995 Through December 31, 1995

Issue Date: January 14, 1997

TABLE OF CONTENTS

	Page
Management Section	
Independent Auditor's Report On Compliance With State Laws And Regulations	M-1
Schedule Of Findings:	
1. The District Should Segregate Incompatible Duties	M-3
Status Of Prior Findings	M-5
Financial Section	
Independent Auditor's Report On Financial Statements	F-1
Financial Statements:	
Balance Sheet - 1995 And 1994	F-2
Statement Of Revenues, Expenses, And Changes In Fund Balances - 1995 And 1994	F-4
Statement Of Cash Flows - 1995 And 1994	F-6
Notes To Financial Statements	F-8
Addendum	
Directory Of Officials	A-1

PEND OREILLE COUNTY PUBLIC HOSPITAL DISTRICT NO. 1
DBA NEWPORT COMMUNITY HOSPITAL
Pend Oreille County, Washington
January 1, 1995 Through December 31, 1995

**Independent Auditor's Report On Compliance With State
Laws And Regulations**

Board of Commissioners
Pend Oreille County Public Hospital District No. 1
Newport, Washington

We have audited the financial statements, as listed in the table of contents, of Pend Oreille County Public Hospital District No. 1, Pend Oreille County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, and have issued our report thereon dated May 16, 1996.

We also performed tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the district complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office.

Compliance with these requirements is the responsibility of the district's management. Our responsibility is to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the district and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an overall opinion on compliance with these requirements. Accordingly, we do not express such an opinion.

The results of our tests indicated that, with respect to the items tested, the district complied, in all material respects, with the applicable laws and regulations referred to in the preceding paragraphs. However, we noted an instance of noncompliance of regulatory requirements immaterial to the financial statements which is identified in the Schedule of Findings accompanying this report. With respect to items not tested, nothing came to our attention that caused us to believe that the district had not complied, in all material respects, with those provisions.

This report is intended for the information of management and the commissioner and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

May 16, 1996

PEND OREILLE COUNTY PUBLIC HOSPITAL DISTRICT NO. 1
DBA NEWPORT COMMUNITY HOSPITAL
Pend Oreille County, Washington
January 1, 1995 Through December 31, 1995

Schedule Of Findings

1. The District Should Segregate Incompatible Duties

During our review of the district's internal control systems, we noted the following weaknesses:

- a. The business office manager oversees accounts receivable, serves as district treasurer, is the person primarily responsible for the computer system operation, has access to all computer applications, and can propose and post journal entries. This weakness has been identified during the prior two audits.
- b. The purchasing clerk can initiate and receive purchases. This weakness has been identified during the prior two audits.
- c. The billing clerk is responsible for opening the mail, has access to cash, and initiates the write-off of accounts receivable. Authorized write-off of accounts receivable are never reconciled to the amounts actually written off of the subsidiary accounts.
- d. End of the month reconciliations are not performed timely.
- e. There has been no periodic inventory of fixed assets to determine if all assets continue to be used to support their public purpose.

A basic principle of internal accounting controls requires the segregation of duties relating to the custody of assets from the responsibility for maintaining the related records of accountability.

Due to the size of the district's business staff separation of duties is difficult.

When improper duties are not adequately separated, errors and theft will not be detected in a timely manner, if at all.

We again recommend that the district separate the responsibilities of accounting for the transactions from the physical control of the assets to provide proper checks and balances for the protection of the assets. We further recommend that the district strengthen their internal control systems.

Auditee's Response

We are in the process of implementing policies and procedures to address the items noted in the finding.

Auditor's Concluding Remarks

We wish to thank the district for their response to our finding. We will continue to review the district's corrective action during our next regularly schedule audit.

PEND OREILLE COUNTY PUBLIC HOSPITAL DISTRICT NO. 1
DBA NEWPORT COMMUNITY HOSPITAL
Pend Oreille County, Washington
January 1, 1995 Through December 31, 1995

Status Of Prior Findings

The finding contained in the prior audit report was resolved as follows:

1. The District Should Segregate Incompatible Duties

Resolution: The district has made improvements in their internal controls; however, further improvement is necessary. This finding has been repeated.

PEND OREILLE COUNTY PUBLIC HOSPITAL DISTRICT NO. 1
DBA NEWPORT COMMUNITY HOSPITAL
Pend Oreille County, Washington
January 1, 1995 Through December 31, 1995

Independent Auditor's Report On Financial Statements

Board of Commissioners
Pend Oreille County Public Hospital District No. 1
Newport, Washington

We have audited the accompanying financial statements of Pend Oreille County Public Hospital District No. 1, Pend Oreille County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, as listed in the table of contents. These financial statements are the responsibility of the district's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pend Oreille County Public Hospital District No. 1 at December 31, 1995 and 1994, and the results of its operations and cash flows for the fiscal years then ended, in conformity with generally accepted accounting principles.

Brian Sonntag
State Auditor

May 16, 1996